Saipem:
Board of Directors approves Interim Report as at September 30, 2011
RECORD RESULTS IN FIRST NINE MONTHS 2011

- **Adjusted net profit for the first nine months of 2011 reached Euro 663 million: +12.2% compared to the same period in 2010.**
- **Adjusted net profit for the third quarter of 2011 reached Euro 225 million: +6.6% compared to the third quarter of 2010.**
- **New contracts won during the first nine months of 2011 amounted to Euro 8,777 million (Euro 9,623 million in the first nine months of 2010); the backlog at September 30, 2011 stood at Euro 20,101 million (Euro 20,490 million at June 30, 2011).**
- **Investments in the first nine months of 2011 amounted to Euro 818 million (Euro 1,153 million in the first nine months of 2010).**
- **Guidance for the 2011 Financial results is confirmed.**

San Donato Milanese, October 26, 2011. The Board of Directors of Saipem S.p.A. today approved Saipem Group's Interim Report as at September 30, 2011 (not subject to audit).

(million euro)

Q3 2010	Q2 2011	Q3 2011	Q3 2011 vs Q3 2010 (%)		First nine months 2010	First nine months 2011	Q3 2011 vs Q3 2010 (%)
2,818	3,067	3,160	12.1	Revenues	8,203	9,181	11.9
471	518	539	14.4	EBITDA	1,335	1,552	16.3
339	364	377	11.2	Operating profit	966	1,088	12.6
211	225	225	6.6	Adjusted net profit	591	663	12.2
227	225	225	(0.9)	Net profit	607	663	9.2
343	379	387	12.8	Adjusted cash flow (net profit + depreciation and amortization)	960	1,127	17.4
371	206	257	(30.7)	Investments	1,153	818	(29.1)
2,564	3,098	2,771	8.1	New contracts	9,623	8,777	(8.8)

Revenues and associated profit levels, particularly in the Engineering and Construction sector, and, to a lesser extent, in the Drilling sector, are not consistent over time, as they are influenced not only by market performance but also by climatic conditions and individual project schedules. Consequently, the results from any one particular fiscal period can vary significantly, thereby precluding a direct comparison with the same period in other fiscal years or extrapolation of figures from a single quarter to the entire year.

Investments in the third quarter of 2011 amounted to Euro 257 million (Euro 371 million in the third quarter of 2010) and included:

– Euro 76 million in the Offshore Engineering & Construction sector mainly relating to the construction of a new pipelayer (CastorOne), the completion of a tanker conversion into an FPSO unit, the development of a new fabrication yard in Indonesia, and the maintenance and upgrading of the existing asset base;
– Euro 12 million in the Onshore Engineering & Construction sector on maintenance of the existing asset base;
– Euro 127 million in the Offshore Drilling sector, mainly relating to the completion of the deepwater semi-submersible rig Scarabeo 9 and continuing construction works for the semi-submersible rig Scarabeo 8, in addition to the maintenance and upgrading of the existing asset base;
– Euro 42 million in the Onshore Drilling sector mainly relating to the purchase of a new rig due to operate in Saudi Arabia, in addition to the upgrading of the existing asset base.

Investments in the first nine months of 2011 amounted to Euro 818 million (Euro 1,153 million in the first nine months of 2010).

The latest delivery schedule for major ongoing investments is as follows:
Drilling: the Keppel Shipyard (Singapore) handed over the semi-submersible drilling rig Scarabeo 9 on August 26.. Following the successful completion of acceptance tests required by the Client, the rig is now en route to the Caribbean Sea where it is due to arrive by the end of December. The semi-submersible drilling rig Scarabeo 8 is due to leave the Westcon Shipyard in Norway and start sea trials towards the end of the year; sea trials and acceptance tests are expected to take approximately two months.
Engineering & Construction: FPSO Aquila was transferred to the Adriatic Sea and is currently being installed on Eni’s Aquila field. The fabrication yard in Karimun (Indonesia) has already started fabrication on behalf of Clients, and will continue in parallel with work for the yard completion during the latter part of the year. The pipelayer CastorOne is due to be completed at the Keppel Shipyard (Singapore) by the end of June 2012. CastorOne will undergo sea trials in the second half of 2012.

As advised in the press release of October 10, 2011, Saipem acquired TPG (Terminal Portuário de Guarujá S.A.), a company which fully owns, as a perpetual concession, an area of 35 hectares in Guarujá, within the industrial hub of Santos, in the state of São Paulo (Brazil); Saipem will develop the area through the construction of a fabrication yard for subsea and floating structures, which will be used in the development of Brazilian offshore fields.

Net financial debt at September 30, 2011 amounted to Euro 3,323 million, a slight increase from December 31, 2010 (Euro 3,263 million): considerable cash flow generated during the period enabled to offset almost all expenditure, consisting mainly of capex and dividend distribution.

New contracts and backlog

During the third quarter of 2011, Saipem was awarded contracts amounting to Euro 2,771 million (Euro 2,564 million in the third quarter of 2010).

New contracts awarded to the Saipem Group during the first nine months of 2011 amounted to Euro 8,777 million (Euro 9,623 million in the first nine months of 2010).

The Saipem Group backlog at September 30, 2011 stood at Euro 20,101 million (Euro 6,202 million in the Offshore Engineering & Construction sector, Euro 9,543 million in the Onshore Engineering & Construction sector, Euro 4,356 million in the Drilling sectors), of which Euro 2,818 million is due to be realised in the fourth quarter of 2011 and approximately Euro 8,605 million in 2012.

In October 2011, new contracts amounting to approximately USD 1,500 million were awarded in the Offshore Engineering & Construction sector. These relate to contracts detailed in the Press Release of October 17, 2011.

Management Outlook for 2011

Strong volumes and margins recorded in the first nine months of 2011, along with the substantial backlog, underpin expectations of achieving the improved targets for 2011 stated at the end of Q1 (compared to 2010: revenues to increase by approximately 8%, EBITDA by approximately 12% and net profit by approximately 8%). Investments for 2011, inclusive of the expenditure on the new initiative in Brazil, are now estimated to be in the region of Euro 1.2 billion.

Saipem's Chief Financial Officer, Mr Giulio Bozzini, in his capacity as manager responsible for the preparation of the Company's financial reports, certifies, pursuant to art. 154-bis paragraph 2 of Legislative Decree no. 58/1998, that data and information disclosed in this press release corresponds to the Company's evidence and accounting books and entries.

By their nature, forward-looking statements are subject to risk and uncertainty since they are dependent upon circumstances which should or are considered likely to occur in the future and are outside of the Company's control. These include, but are not limited to: monetary exchange and interest rate fluctuations, commodity price volatility, credit and liquidity risks, HSE risks, the levels of capital expenditure in the oil and gas industry and other sectors, political instability in areas where the Group operates, actions by competitors, success of commercial transactions, risks associated with the execution of projects (including ongoing investment projects), in addition to changes in stakeholders' expectations and other changes affecting business conditions.
Actual results could therefore differ materially from the forward-looking statements.
The Financial Reports contain in-depth analyses of some of the aforementioned risks.
Forward-looking statements are to be considered in the context of the date of their release.

Saipem is organised into two Business Units: Engineering & Construction and Drilling, with a strong bias towards oil & gas-related activities in remote areas and deep-waters. Saipem is a leader in the provision of engineering, procurement, project management and construction services with distinctive capabilities in the design and execution of large-scale offshore and onshore projects, and technological competences such as gas monetisation and heavy oil exploitation.

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Analysis by business sector

Engineering & Construction: Offshore

(million euro)

Q3 2010	Q2 2011	Q3 2011	Q3 2011 vs Q3 2010 (%)		First nine months 2010	First nine months 2011	Q3 2011 vs Q3 2010 (%)
1,150	1,259	1,304	13.4	Revenues	3,309	3,678	11.2
(933)	(1,031)	(1,060)	13.6	Expenses	(2,694)	(2,998)	11.3
(56)	(54)	(63)	12.5	Depreciation and amortisation	(156)	(177)	13.5
161	174	181	12.4	Operating profit	459	503	9.6
18.9	18.1	18.7		EBITDA %	18.6	18.5	
14.0	13.8	13.9		EBIT %	13.9	13.7	
1,436	1,535	1,074		New contracts	3,359	4,336	

The backlog at September 30, 2011 amounted to Euro 6,202 million, of which Euro 1,139 million is due to be realised in the fourth quarter of 2011.

- Revenues for the first nine months of 2011 amounted to Euro 3,678 million, representing an increase of 11.2% compared to the first nine months of 2010, mainly due to higher levels of activity in Northern Europe and West Africa.

- Operating profit for the first nine months of 2011 amounted to Euro 503 million, equal to 13.7% of revenues, versus Euro 459 million, equal to 13.9% of revenues, in the first nine months of 2010. EBITDA margin stood at 18.5%, in line with the same period of 2010.

- The main contracts acquired in the third quarter of 2011 include:

– the EPIC contract for the subsea development of the Kirinskoye Gas Condensate field in Russia with Mezhregiontruboprovostroy (MRTS) for Gazprom Dobycha Shelf, as part of the Sakhalin 3 project. The scope of work includes the engineering, procurement, fabrication, installation of subsea structures, planned connections to subsea wells, network of infield umbilicals and shore approach, along with survey activities in the field;

– the project comprising the transport and installation of a process and quarters platform of a well-head platform and of an interconnecting bridge for PearlOil (Sebuku) Ltd, in Indonesia, ,.

Engineering & Construction: Onshore

(million euro)

Q3 2010	Q2 2011	Q3 2011	Q3 2011 vs Q3 2010 (%)		First nine months 2010	First nine months 2011	Q3 2011 vs Q3 2010 (%)
1,306	1,428	1,472	12.7	Revenues	3,861	4,357	12.8
(1,202)	(1,303)	(1,342)	11.6	Expenses	(3,563)	(3,979)	11.7
(11)	(9)	(9)	(18.2)	Depreciation and amortisation	(29)	(26)	(10.3)
93	116	121	30.1	Operating profit	269	352	30.9
8.0	8.8	8.8		EBITDA %	7.7	8.7	
7.1	8.1	8.2		EBIT %	7.0	8.1	
913	1,144	1,280		New contracts	5,694	3,357	

The backlog at September 30, 2011 amounted to Euro 9,543 million, of which Euro 1,369 million is due to be realised in the fourth quarter of 2011.

- Revenues for the first nine months of 2011 amounted to Euro 4,357 million, representing a 12.8% increase on the same period for 2010. This is largely due to higher levels of activity in Algeria and Australia.

- Operating profit for the first nine months of 2011 amounted to Euro 352 million, compared to Euro 269 million in the first nine months of 2010, with the margin on revenues rising from 7% to 8.1%. EBITDA margin stood at 8.7% up from 7.7% in the same period of 2010. This increase in margin is attributable to strong operational performance.

- The main contracts acquired in the third quarter of 2011 include:

– the EPC contract encompassing engineering, procurement, fabrication and construction for the expansion of the Tout Lui Faut Refinery, located south of the capital Paramaribo for Staatsolie, in Suriname.;

– the EPC contract encompassing engineering, procurement, fabrication and construction of a Secondary Upgrader plant, as part of the Horizon Oil Sands Project - Hydrotreater Phase 2 - in Alberta, in the Athabasca region, for Canadian Natural Resources Ltd, in Canada;

– the EPC contract encompassing engineering, procurement, fabrication and construction of the second train for the Independent Power Plant of Afam for the Government of the Rivers State in Nigeria;

– the contract for the construction of the Otumara-Saghara-Escravos gas pipeline for Shell Petroleum Development, in Nigeria.,.

Drilling: Offshore

(million euro)

Q3 2010	Q2 2011	Q3 2011	Q3 2011 vs Q3 2010 (%)		First nine months 2010	First nine months 2011	Q3 2011 vs Q3 2010 (%)
179	207	205	14.5	Revenues	525	623	18.7
(80)	(98)	(97)	21.3	Expenses	(244)	(293)	20.1
(35)	(57)	(57)	62.9	Depreciation and amortisation	(99)	(164)	65.7
64	52	51	(20.3)	Operating profit	182	166	(8.8)
55.3	52.7	52.7		EBITDA %	53.5	53.0	
35.8	25.1	24.9		EBIT %	34.7	26.6	
167	274	296		New contracts	316	645	

The backlog at September 30, 2011 amounted to Euro 3,376 million, of which Euro 190 million is due to be realised in the fourth quarter of 2011.

- Revenues for the first nine months of 2011 amounted to Euro 623 million, representing a 18.7% increase on the same period for 2010, attributable mainly to the full-scale activities of the drillships Saipem 10000 and Saipem 12000 and the jack-up Perro Negro 8, which have offset the maintenance downtime of the semi-submersible rig Scarabeo 5.

- Operating profit for the first nine months of 2011 amounted to Euro 166 million, compared to Euro 182 million in the first nine months of 2010, with the margin on revenues decreasing from 34.7% to 26.6%, mainly due to the increase in depreciation, and maintenance downtime of the semi-submersible rig Scarabeo 5. The increase in depreciation is ascribed to the start of operations of new vessels, and some equipment write-off of Scarabeo 8. EBITDA margin is essentially in line with that of the same period for 2010.

- The main contracts acquired in the third quarter of 2011 include:

– the twenty-four month extension, from August 2015, of the lease contract for the drillship Saipem 12000 for Total E&P Angola,;

– the thirty-six month extension of the lease contract for the jack-up Perro Negro 7 for Saudi Aramco,.

– Fleet utilisation in the first nine months of 2011 and the impact of planned maintenance for 2011 are as follows:

Vessel	***September 2011***		***Year 2011***
	Under contract	***Idle***	***Idle***
	(days)		***(days)***
Semi-submersible rig Scarabeo 3	243	30 (a)	30 (a)
Semi-submersible rig Scarabeo 4	273	–	–
Semi-submersible rig Scarabeo 5	205	68 (a+b)	68 (a+b)
Semi-submersible rig Scarabeo 6	260	13 (b)	13 (b)
Semi-submersible rig Scarabeo 7	273	–	–
Drillship Saipem 10000	273	–	–
Drillship Saipem 12000	266	7 (b)	7 (b)
Jack-up Perro Negro 2	273	–	–
Jack-up Perro Negro 3	273	–	–
Jack-up Perro Negro 4	273	–	–
Jack-up Perro Negro 5	273	–	–
Jack-up Perro Negro 6	273	–	–
Jack-up Perro Negro 7	263	10 (a)	35 (a)
Jack-up Perro Negro 8	273	–	–
Tender Assisted Drilling Barge	273	–	–

(a) = the vessel underwent/shall undergo class reinstatement works and/or preparation works for a new contract.
(b) = the vessel underwent maintenance works to address technical problems.

Drilling: Onshore

(million euro)

Q3 2010	Q2 2011	Q3 2011	Q3 2011 vs Q3 2010 (%)		First nine months 2010	First nine months 2011	Q3 2011 vs Q3 2010 (%)
183	173	179	(2.2)	Revenues	508	523	3.0
(132)	(117)	(122)	(7.6)	Expenses	(367)	(359)	(2.2)
(30)	(34)	(33)	10.0	Depreciation and amortisation	(85)	(97)	14.1
21	22	24	14.3	Operating profit	56	67	19.6
27.9	32.4	31.8		EBITDA %	27.8	31.4	
11.5	12.7	13.4		EBIT %	11.0	12.8	
48	145	121		New contracts	254	439	

The backlog at September 30, 2011 stood at Euro 980 million, of which Euro 120 million is due to be realised in the fourth quarter of 2011.

- Revenues for the first nine months of 2011 amounted to Euro 523 million, representing a 3% increase compared to the first nine months of 2010, mainly due to the full-scale operations of rigs in South America and the start of operations of new rigs in Kazakhstan.

- Operating profit for the first nine months of 2011 amounted to Euro 67 million, up from Euro 56 million in the same period for 2010, with the margin on revenues rising from 11% to 12.8%. EBITDA margin stood at 31.4%, up from 27.8% in the same period for 2010, owing mainly to increased operational efficiency.

- The main contracts acquired in the third quarter of 2011 include:

– contracts for the lease of fourteen rigs in Algeria, South America and Ukraine, whose durations range from two to thirty-six months for various clients,.

Average utilisation of rigs in the first nine months of 2011 stood at 95.8% (compared to 95.2% in the first nine months of 2010). As at September 30, 2011, the Company owned 89 rigs (in addition to one rig under completion), located as follows: 28 in Venezuela, 21 in Peru, 9 in Saudi Arabia, 7 in Algeria, 7 in Colombia, 5 in Kazakhstan, 3 in Brazil, 2 in Bolivia, 2 in Congo, 2 in Ecuador, 2 in Italy and 1 in Ukraine. In addition, 6 third-party rigs were deployed in Peru, and 4 third-party rigs in Kazakhstan (2 of which from the joint-venture company SaiPar).

Attachments:

Reclassified consolidated balance sheet, consolidated income statements reclassified by nature and function of expenses and reclassified statement of cash flow.

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(million euro)

	December 31, 2010		**September 30, 2011**	
Net tangible fixed assets		7,403		7,711
Net intangible fixed assets		760		754
		8,163		8,465
- Engineering & Construction: Offshore	3,617		3,701	
- Engineering & Construction: Onshore	444		437	
- Drilling: Offshore	3,204		3,461	
- Drilling: Onshore	898		866	
Financial investments		105		99
Non-current assets		**8,268**		**8,564**
Net current assets		**(658)**		**(466)**
Employee termination indemnities		**(193)**		**(194)**
CAPITAL EMPLOYED		**7,417**		**7,904**
Shareholders' equity		**4,060**		**4,462**
Minority interest in net equity		**94**		**119**
Net debt		**3,263**		**3,323**
COVER		**7,417**		**7,904**
Leverage (net debt/shareholders' equity)		**0.80**		**0.74**
SHARES ISSUED AND OUTSTANDING		**441,410,900**		**441,410,900**

CONSOLIDATED INCOME STATEMENT RECLASSIFIED BY NATURE OF EXPENSES

(million euro)

Q3 2010	Q2 2011	Q3 2011		First nine months 2010	First nine months 2011
2,818	3,067	3,160	Operating revenues	8,203	9,181
4	0	2	Other revenues and income	9	7
(1,956)	(2,114)	(2,211)	Purchases, services and other costs	(5,696)	(6,391)
(395)	(435)	(412)	Payroll and related costs	(1,181)	(1,245)
471	**518**	**539**	**GROSS OPERATING PROFIT**	**1,335**	**1,552**
(132)	(154)	(162)	Amortisation, depreciation and write-downs	(369)	(464)
339	**364**	**377**	**OPERATING PROFIT**	**966**	**1,088**
(27)	(33)	(36)	Financial expenses	(90)	(103)
4	7	4	Income from investments	8	12
316	**338**	**345**	**INCOME BEFORE INCOME TAXES**	**884**	**997**
(90)	(95)	(99)	Income taxes	(248)	(282)
226	**243**	**246**	**INCOME BEFORE MINORITY INTEREST**	**636**	**715**
(15)	(18)	(21)	Minority interest	(45)	(52)
211	**225**	**225**	**ADJUSTED NET PROFIT**	**591**	**663**
17	–	–	Gains from disposals	17	–
(1)	–	–	Tax charge	(1)	–
227	**225**	**225**	**NET PROFIT**	**607**	**663**
343	**379**	**387**	**ADJUSTED CASH FLOW (Adjusted net profit + Depreciation and amortisation)**	**960**	**1,127**

CONSOLIDATED INCOME STATEMENT RECLASSIFIED BY FUNCTION OF EXPENSES

Q3 2010	Q2 2011	Q3 2011		First nine months 2010	First nine months 2011
2,818	3,067	3,160	Operating revenues	8,203	9,181
(2,373)	(2,587)	(2,650)	Production costs	(6,887)	(7,731)
(32)	(20)	(46)	Idle costs	(94)	(96)
(30)	(43)	(37)	Selling expenses	(104)	(118)
(3)	(4)	(4)	Research and development costs	(9)	(11)
5	(2)	0	Other operating income (expenses), net	(5)	1
385	**411**	**423**	**CONTRIBUTION FROM OPERATIONS**	**1,104**	**1,226**
(46)	(47)	(46)	General and administrative expenses	(138)	(138)
339	**364**	**377**	**OPERATING PROFIT**	**966**	**1,088**
(27)	(33)	(36)	Financial expenses	(90)	(103)
4	7	4	Income from investments	8	12
316	**338**	**345**	**INCOME BEFORE INCOME TAXES**	**884**	**997**
(90)	(95)	(99)	Income taxes	(248)	(282)
226	**243**	**246**	**INCOME BEFORE MINORITY INTEREST**	**636**	**715**
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211	**225**	**225**	**ADJUSTED NET PROFIT**	**591**	**663**
17	–	–	Gains from disposals	17	–
(1)	–	–	Tax charge	(1)	–
227	**225**	**225**	**NET PROFIT**	**607**	**663**
343	**379**	**387**	**ADJUSTED CASH FLOW (Adjusted net profit + Depreciation and amortisation)**	**960**	**1,127**

RECLASSIFIED STATEMENT OF CASH FLOW

(million euro)

Q3 2010	Q2 2011	Q3 2011		First nine months 2010	First nine months 2011
227	225	225	Net profit	607	663
15	18	21	Minority interest	45	52
			Adjustments to reconcile cash generated from operating income before changes in working capital:		
85	194	166	Depreciation, amortisation and other non-monetary items	293	497
(117)	(80)	(13)	Variation in working capital relating to operations	(150)	(157)
210	**357**	**399**	**Net cash flow from operations**	**795**	**1,055**
(371)	(206)	(257)	Investments in tangible and intangible fixed assets	(1,153)	(818)
30	–	7	Disposals	33	7
(131)	**151**	**149**	**Free cash flow**	**(325)**	**244**
4	4	2	Buy-back of treasury shares / Exercise of stock options	20	11
–	(297)	–	Cash flow from share capital and reserves	(240)	(297)
35	20	(75)	Effect of exchange rate differences and other changes in net debt	(15)	(18)
(92)	**(122)**	**76**	**Change in net debt**	**(560)**	**(60)**
3,313	**3,277**	**3,399**	**Net debt at beginning of period**	**2,845**	**3,263**
3,405	**3,399**	**3,323**	**Net debt at end of period**	**3,405**	**3,323**